



The Secretary for Health Services
COMMONWEALTH OF KENTUCKY
275 EAST MAIN STREET
FRANKFORT 40621-0001
(502) 564-7042

PAUL E. PATTON
GOVERNOR

MARCIA R. MORGAN
SECRETARY

December 3, 2001

The Honorable Paul E. Patton
Governor
State Capitol
700 Capitol Avenue
Frankfort, Kentucky 40601

And

Legislative Research Commission
c/o Bobby Sherman, Executive Director
The Capitol
700 Capitol Avenue
Frankfort, Kentucky 40601

Dear Governor Patton and Mr. Sherman:

Enclosed please find the annual report required under KRS 205.561 on the dispensing of prescription medication. The annual report is actually composed of three separate parts:

1. "A Survey of **Dispensing** Costs of Pharmaceuticals in the Commonwealth of Kentucky" covering the dispensing fee and average cost of dispensing drugs;
2. "A Survey of Acquisition Costs of **Pharmaceuticals** in the Commonwealth of Kentucky" which covers the cost of acquiring drugs for Medicaid recipients; and
3. "Dispensing of Prescription Medications To Persons Eligible Under KRS 205.560" covers factors causing high drug costs and usage rates, the cost *"promoting and safeguarding the health and wellness of all Kentuckians."*



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The Honorable Paul E. Patton
Mr. Bobby Sherman
Page Two
December 3, 2001

effectiveness of the drug **formulary** and prior authorization process, cost containment strategies and the most used and abused drugs.

The "Dispensing of Prescription Medications To Person Eligible Under KRS 205.560" was presented to the Drug Management Review Advisory Board at their meeting held November 14, 2001 as required by KRS **205.561(1)**. The Dispensing Fee Cost Study and the Acquisition Cost Study were presented to the Drug Management Review Board to obtain their advice and comments at its meeting of November 30, 2001 as required by KRS **205.561(1)**.

Finally, KRS **205.561(4)** requires the findings of the annual report to be used to establish the fees for dispensing prescription medications to Medicaid eligible recipients. We are currently reviewing the report findings and will take necessary action to implement the new fee structure.

If I may be of assistance contact me at 564-7042.

Sincerely,



Marcia R. Morgan
Secretary

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Enclosures

cc: Mike Robinson, Commissioner
Ellen Heslen, Deputy Secretary

22